

THE
NETHERLANDS INDIES
AND JAPAN

Battle on Paper, 1940-1941

By

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PREFACE

"Send danger from the north unto the south,
So honour cross it from the east to west."

HISTORY should be written a long time after it is made, with full access to sources and with dispassionate criticism. On the other hand, it may be useful to relate events that happened, in part at least beyond the public ken, as soon as circumstances permit and while their recollection is still vivid in the memory of the participants. This can prevent the growth of legends that usually crop up around semi-secret proceedings of political importance and confuse our judgment in after years. A more precise knowledge of past occurrences can aid us in understanding the present and even in shaping our course towards the future.

The story told in this little book is such a chronicle of facts concerning the relations between the Netherlands in Asia and Japan during the last two years before the outbreak of war in the Pacific. Its scope is limited to political and economic affairs of which the author has a firsthand knowledge. Comments and background sketching have been restricted to what seemed indispensable. There have been other and more romantic descriptions, but most of the material adduced here has been inaccessible until now; it is published with the kind co-operation of the Netherlands minister of foreign affairs, Dr. Van Kleffens. It will serve to bring several things into a truer focus.

In the first place, these relations have been far too often interpreted as a matter of individual action and skill.

People are apt to identify currents of public opinion with the names of those who are the more or less faithful exponents thereof; their sense of the dramatic makes them concentrate their attention on the actors who were picked out by the limelight of publicity, while they overlook the part played by the producers and the audience. In a country where public men are not surrounded by blackguards or detectives, where the press is uncensored, and where discussion of national and international affairs is free and searching--and all this applied to the Netherlands Indies as well as to the Netherlands--international policy cannot be conducted, like some sort of mystery, by a few adepts. It must be rooted in public sentiment and acceptable to public intelligence. With the Netherlands occupied by Nazi terror, the government found their main strength in a practically unanimous support by the citizenry of all races in the Indies. Not only did the better educated elements of the population--including many hundred thousand Indonesians and Indo-Chinese--approve; even the masses had become aware of the Japanese danger through four years of reports and rumours spreading from China.

During the long and difficult negotiations with the Japanese that took place during these years in Batavia, the government and the Netherland delegation were assisted by a large advisory committee of Netherland and Indonesian experts. They found no difficulty in reaching generally agreed conclusions which could be based on the well-established and commonly accepted principles of economic policy. These principles are to be found in the memoranda of February 3 and June 6, 1941. On this sound and solid foundation the teamwork of the delegations was excellent and needed little special management. The press, including the vernacular papers and those of the nationalist opposition, was wholly and explicitly behind the government in this respect. On the twenty-fifth of June the representative assembly, the Volksraad, consisting of a chairman, thirty Indonesian and twenty-five Netherland members and five others--customarily three Chinese and two Arabs--gave their final appraisal of the Netherland-Japanese discussions in their committee report on the budget for 1942. Remarking on the fact that the people in the Indies had shown great restraint and complete confidence in the policy of the government throughout, it praised, without a dissenting voice, the firm and reasonable attitude maintained during these discussions. It said: "Although the negotiations did not lead to a mutually satisfactory conclusion, the preservation of the integrity of the Indies, notwithstanding strong pressure from the other side, and, at the same time, the continuation of normal relations with Japan, constitute an exceptionally favourable result, which is further enhanced by the gain of prestige for the Netherlands Indies within and without."

The same report unanimously paid homage to Her Majesty the Queen, voicing the general admiration and gratitude for her inspiring leadership. These were no empty words. The fact that the queen and her government had retained their liberty of action was a strong, if not a decisive, element in the position of the Indies and their relations with Japan. Had it been otherwise, although the Indies would certainly not have given way as did Indo-China, the temptation to interfere, both in the Allied and the enemy side, would have been much greater. The Netherland government in London needed no outside assistance; they could rely as firmly on public opinion in the Netherlands Indies as on the unbroken resistance in the Netherlands. They were ably seconded by a great governor general. The high character and penetrating intelligence of Jonkheer Tjarda van Starkenborgh Stachouwer were a full guarantee against vacillating or erratic decisions, and his wide diplomatic experience gave invaluable guidance to the tactical work of the Netherland delegation. He remained resolute and unshakable to the end.

A rather widespread misconception resulted from one of the more consistent lies of the Japanese propaganda machine. The Netherland attitude was continuously depicted in the Japanese press as one of endless procrastination and duplicity; newspaper stories elsewhere began to credit us with an almost Machiavellian craftiness. The reader will see for himself that nothing was less true. We certainly wanted to gain time, but we only gained it by a sturdy perseverance, coupled with patience and courteous candour. Delays were caused by Japanese dilatoriness and provocations. The Netherland position was always clearly --if not bluntly--stated. Nothing was done which, from our point of view, might not have been published straightaway; it was the Japanese who wanted secrecy, for obvious reasons. Because of this we could neither refute propaganda lies nor correct bona fide misstatements.

The same applies to the rather wild rumours that arose over the oil contracts. Again the reader will see that the truth was much simpler than it appeared at the time. Our decisions had to be guided by various considerations, but those concerning our national security and the common war effort prevailed. The net results barely covered the requirements of two months' warfare for the Japanese.

If anything deserved special praise, it was the fortitude of the people in the face of increasingly threatening disaster. Like all peaceful democracies, we were caught insufficiently prepared. This book does not treat of military matters. Suffice it to say that the considerable rearmaments

projects, voted shortly before World War II, could not be executed because we lacked an adequate heavy industry, and the war almost closed the armaments markets to our low priority. What could be done, was done, and little though it was, it created a certain temporary optimism, which was still further strengthened by the trend of policy in the United States. Those who possessed inside knowledge, however, realized the lack of concerted preparation, due to the plight of Britain in Europe and the legal and political obstacles to military commitments in Washington.

As the menace grew and the real state of things began to be more widely known, the optimism disappeared. Perhaps we in the Netherlands Indies were certain of a Japanese attack at an earlier date than others because we could not rely on our own military power to deter the aggressor. But the government's decision that there would be no evacuation of white people was not even questioned; it fully corresponded with the choice the Netherlands in the Indies had long since made for themselves. In this country, which had become their home, they would stay and fight; they would not leave their Indonesian compatriots and friends in time of danger.

When our women, with a slight tightening at the throat, gazed after the thousands of European and American evacuees drifting past and through our harbours on their way to safety; when the Japanese war machine came rolling southward; when it was certain that reinforcements would not arrive in time and might not arrive for a long time to come, they could have lamented with Jeremiah: "As for us, our eyes as yet failed for our vain help; in our watching we have watched for a nation that could not save us." They did not so lament. They met the fate that overtook them unflinchingly, fighting and staying on. And remember that they had few illusions about what was in store for them under Japanese occupation.

The world has almost forgotten those fifty thousand Netherlands in war-prisons and internment camps, and the hundred thousand women and children, despoiled and destitute, living poorly in cramped segregation quarters or in other concentration wards. For nearly twenty months they hardly heard an Allied voice; only few of them may have seen an Allied plane in the sky. But we know--and this is no conjecture--that they do not despair; that they are standing by one another and have preserved their trust in ultimate victory; that they feel their obligations towards the Indies and the Indonesians more deeply than ever before. To the memory of those who died fighting, and the redemption of those who are now in chains, may this book be dedicated.

H. J. Van MOOK

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In the following account the principal documents exchanged between the governments and their representatives are given in their full original text--as far as they were in English--or in an accurate translation. It seemed better to err on the side of circumstantiality than to create the impression of reticence. Errors in grammar, idiom and orthography are copied from the originals, which were written in a language foreign to both parties.

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RELATIONS between the Netherland Indies and Japan presented no special difficulties until after the world crisis of 1929. In 1899 a law had accorded the Japanese the status of "Europeans" in the Indies; in 1912 a general trade treaty had put their activities in that country with regard to trade, business, shipping, and immigration on the footing of the usual most-favoured-nation clause.

The Japanese were late in the business field; their participation in tropical agriculture and mining remained very limited, not because of any opposition, but because others had got the start on them. In imports and exports, banking and shipping their share was better and gradually increasing, but until about 1929 there were no disturbing developments.

When the world economic crisis began, this situation changed rapidly and materially. Japan's share in Netherlands Indies imports rose from 11 per cent in 1929 to 30 per cent in 1935, whereas in the same period those percentages for the Netherlands, the rest of Europe, and America dropped from 20 to 13 per cent, from 28 to 23 per cent, and from 13 to 8 per cent respectively. At the same time, the share of Japan in Netherlands Indies exports was only 5 per cent in 1935, as against 22, 18, and 15 per cent respectively for the Netherlands, Europe, and America.

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The earlier Japanese investments in the Netherlands Indies may have been of a more private character, with some occasional spying thrown in; in the thirties, penetration became definitely organized and was pushed from behind by those semiofficial government-subsidized corporations like the Nanyo Kohatsu, whose ultimate aims were revealed by naval and military participation. The rising flood of imports carried Japanese goods from Japanese importers, in Japanese ships, financed by Japanese banks, to Japanese warehouses in the coastal towns of Java, to be sold directly to the consumers through Japanese retailers far in the interior. Japanese middlemen penetrated East Java, Southeast Borneo and North Celebes to buy native products--maize, rubber, and copra--for export to Japan. Japanese fisheries

started operations in the strategically important seas north of Batavia and around the northern peninsula of Celebes, continually trespassing in territorial waters and causing several incidents. Mining, agricultural, and lumber rights, mostly of doubtful economic value, were bought or applied for in localities of military importance, e.g. the east and west coasts of Borneo and the northern part of New Guinea. Small craft began to penetrate into coastal shipping.

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Note, handed by Mr. Ishii, Japanese minister at The Hague to Dr. Van Kleffens, Netherland minister of foreign affairs, on the second of February, 1940.

Chief items desired to be agreed upon between Japan and the Netherlands.

I. MATTERS RELATING TO COMMERCE

(1) Japanese Side:

- (a) Japan is to refrain, as far as circumstances permit, from adopting any measure, prohibiting or restricting the exportation of its principal goods required by the Netherlands Indies. (It is to be understood that the exportation may sometimes be difficult for economic reasons.)
- (b) Japan is to adopt such measures as deemed to be appropriate with a view to furthering the importation of goods from the Netherlands Indies.

(2) Netherlands Side:

- (a) The Netherlands Indies is likewise to refrain from adopting any measure prohibiting or restricting the exportation of its principal goods; the prohibitive or restrictive measures, to which the exportation of certain goods has already been subjected are to be so modified as to render the flow of goods easier between Japan and the Netherlands Indies.

- (b) The existing measures of import restrictions in respect of Japanese goods are to be abolished or moderated.

II. MATTERS RELATING TO ENTRY

- (1) Japanese Side:
Japan is, as at present, to adopt no restrictive measures in future in respect of the entry of employees of Netherlands firms in Japan.
- (2) Netherlands Side:
The existing Foreigners Labour Ordinance in the Netherlands Indies is to be abolished or moderated.

III. MATTERS RELATING TO ENTERPRISE AND INVESTMENT

- (1) Japanese Side:
 - (a) Japan is to afford, within its influence and competence, reasonable protection to Netherlands interests in Manchukuo and China.
 - (b) Facilities are to be afforded in respect of new Netherlands investments in Japan; its offer of investment to Manchukuo and China is to be recommended by Japan to be accommodated, to the governments concerned.
- (2) Netherlands Side:
 - (a) Further facilities are to be extended to the existing Japanese enterprises in the Netherlands Indies.
 - (b) Facilities are to be granted to new enterprises, including those under joint control of Japan and the Netherlands.

IV. CONTROL OF PRESS AND OTHER PUBLICATIONS OF ANTI-JAPANESE NATURE

The anti-Netherlands tendency, if any, of the press, magazines and other publications in Japan on one hand, and the anti-Japanese tendency of the press, magazines and other publications in Netherlands and the Netherlands Indies on the other are to be placed respectively under strict control in conformity with friendly spirit prevailing between Japan and the Netherlands.

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A suitable reply was still under consideration when, on the tenth of May, 1940, the Netherlands were attacked and invaded by Germany.

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On May 18, the Japanese consul general at Batavia visited the director of economic affairs and delivered condolences, requests, and veiled threats almost in one and the same breath. On May 20, Foreign Minister Arita handed the following note to the Netherland minister in Tokyo:

Note handed to the Netherland minister in Japan, General J. C. Pabst, by the Japanese foreign minister, Mr. Arita, on the twentieth of May, 1940.

I have the honour to refer to my conversation with Your Excellency on the 16th May concerning the products of the Netherlands East Indies, in the course of which you informed me that you had received a telegram from the Governor-General of the Netherlands East Indies to the effect that the Government-General of the Netherlands East Indies had no intention of placing any restrictions in future on the exportation to Japan of mineral oil, tin, rubber and other raw materials which are of vital importance to Japan, and that it was the desire of the same Government-General to maintain the general economic relations between Japan and the Netherlands East Indies as close as ever.

While informing Your Excellency that the Japanese Government fully appreciate the communication of the Government-General of the Netherlands East Indies, I wish to point out that, in addition to mineral oil, tin and rubber, there are many other kinds of commodities hitherto imported into Japan from the Netherlands East Indies which are of vital importance to this country.

It is, therefore, requested that the Government-General of the Netherlands East Indies would give a definite assurance that, for the time being at least, the quantities of the articles enumerated in the attached list shall be exported to Japan each year from the Netherlands East Indies under any circumstances that may arise in future.

In view of the above-mentioned telegraphic communication from the Governor-General of the

Netherlands East Indies and the wide powers with which he has been vested since the outbreak of hostilities between the Netherlands and Germany (vide Your Excellency's note addressed to me under date of the 11th May), I shall be grateful if Your Excellency will be good enough to inform me in writing as soon as possible that the Governor-General of the Netherlands East Indies accedes to the above-mentioned request of the Japanese Government.

1. Tin (including ore) 3,000 tons
2. Rubber 20,000 tons
3. Mineral oil 1,000,000 tons
4. Bauxite 200,000 tons
5. Nickel ore 150,000 tons
6. Manganese ore 50,000 tons
7. Wolfram, 1,000 tons
8. Scrap-iron 100,000 tons
9. Chrome iron ore 5,000 tons
10. Salt 100,000 tons
11. Castor seeds 4,000 tons
12. Quinine bark 600 tons
13. Molybdenum 1,000 tons

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Note addressed to Mr. H. Arita, Japanese minister of foreign affairs, by the Netherlands minister in Tokyo on June 6, 1940.

(Translation from the original in French.)

With reference to the correspondence between the Netherlands Government and the Japanese Government on the subject of the improvement of the economic relations between the two countries, I have the honour to inform Your Excellency that the Netherlands Government highly appreciate the Japanese Government's expression of sympathy with the difficult situation in which the Netherlands find themselves as a consequence of the war. My Government moreover appreciates that the memorandum, which was to be presented by the Japanese Minister at The Hague, and which was on the 18th of May 1940 presented to the Governor General of the Netherlands Indies by the Japanese Consul General at Batavia, as further amplified by Your Excellency's note

dated May 20th 1940, No. 1006, was clearly actuated by concern, lest, in these difficult times, a lack of contact and deliberation should give rise to or protract tensions to the detriment of the traditional friendly relations which, for three centuries, so fortunately prevailed between the Netherlands and Japan. The Netherland Government agree with the Japanese Government on the necessity of combating incorrect reports and misdirected propaganda. This aim will be best furthered by contacts made in an atmosphere of frankness and objectivity.

Her Majesty's Government see no cause whatsoever for serious concern about the relations between the Netherlands and Japan and, more particularly, about the relations between the Netherlands Indies and Japan.

In this respect it may serve to recall that the economic relations between the two countries were settled on the 9th of April 1937 by the so-called Hart-Ishizawa agreement. On both sides promises were made, and a number of apportionments were agreed upon, whilst on other points and on the subject of the application of the agreement, verbal as well as written negotiations were continuously carried on. Throughout these deliberations a spirit of goodwill predominated. I may, for instance, mention that in 1938 the Netherland Government thought fit to draw the attention of the Japanese Government to the fact that the prospects opened by the Hart-Ishizawa agreement in respect of the gradual adjustment of the balance of trade between the Netherlands Indies and Japan and of Japan's promise to buy, whenever possible, larger quantities of indigenous products like sugar, still fell far short of their realization. This step was dictated by the fundamental importance of these exports for the native population. The importation of many Japanese articles has its foundation in the purchasing power of this population.

Notwithstanding this none too satisfactory outcome for the Netherlands Government, my Government have accepted the explanation given by the Japanese Government that the China incident had a considerable influence on economic conditions in Japan, as well as on the fulfillment of this part of the Hart-Ishizawa agreement. In judging

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the results realized through the Hart-Ishizawa agreement, the Netherlands Government have always given due consideration to those exigencies, which are the inevitable consequence of war conditions. The Netherlands Government, therefore, are convinced that the fact that they, too, were forced into war will have the Japanese Government's consideration. This state of war must, of necessity, have its repercussions on the economic situation in the Netherlands Indies.

In any case, my Government fully understand that it is important for Japan as well as for the Netherlands Indies that the commercial relations between the two countries develop without hindrance.

With satisfaction the Netherlands Government have taken notice of Your Excellency's statements concerning the importance of maintaining the status quo of the Netherlands Indies. Repeatedly my Government have confirmed that they wish to maintain this status quo without reserve. This mutual declaration is considered the more important, since the maintenance of the status quo bears closely upon the interest of their Allies as well as upon those of other countries bordering upon the Pacific, as is clearly evidenced by the statements made by Great Britain, France and the United States of America.

It is, in fact, of great importance for the maintenance of peace in this part of the world that the position of the Netherlands Indies remain unimpaired, and that this country be able to continue without interruption to act its part as a world-supplier of various raw materials and food products.

I may now be allowed to give a reply to Your Excellency on the proposals contained in the note of the Japanese Minister at The Hague of February 2nd 1940, and in the above-mentioned memorandum, as further amplified by Your Excellency's note.

COMMERCIAL RELATIONS BETWEEN THE NETHERLANDS INDIES AND JAPAN

The Governments of the Netherlands and of the Netherlands Indies have already declared that they in no way intend to restrict the trade between the Netherlands Indies and Japan. On the contrary,

the progressive development of the commercial relations is just as important to the Netherlands Indies as to Japan. The more so, since the income derived from export is, in these times of changed international relations, even more than previously of vital importance for the population of the Netherlands Indies, who can only afford to buy import goods of prime necessity if the exports provide them with the means thereto. The more it may prove possible to adjust the balance of trade, which these last years was pronouncedly negative, the more it will be possible to give added encouragement to the importation of Japanese products. Since the Netherlands Government have in the past consistently tried to stimulate the export to Japan, they have no objection whatsoever once more to give the assurance, for which the Japanese Government have asked, that the Netherlands Government as well as the Netherlands Indies Government will refrain from taking measures which might hamper the exportation of the 13 mentioned products in their equally mentioned quantities. In order to avoid any possible misunderstanding concerning these quantities, Your Excellency will find enclosed an explanatory note on the subject.

To the preceding should be added, in conformity with previous statements, that the change in the international conditions first of all demands that the Netherlands Indies introduce regulations for exchange-control. The Imperial Government will understand that such measures are unavoidable, amongst other things, in order to maintain the rates of exchange with the yen and the dollar. It is further necessary to take measures to prevent that the products exported by the Netherlands Indies should ultimately fall into the hands of the enemy, and to prevent that excessive exports should cause want in the Netherlands Indies themselves. In taking these measures a method of execution will be sought, calculated to minimize harmful effects to the normal commercial intercourse with foreign countries. The importation of merchandise of Japanese origin, which formed the subject of searching deliberations, leading to identical viewpoints in the Hart-Ishizawa agreement, will be continued in the normal way. In view of the existing conditions, there is reason to expect that the imports will tend to increase rather than to diminish.

The Royal Government do not lose sight of the fact that present events necessarily require a modified application of the existing import regulations. In their judgment, however, the basic value of these regulations has remained unchanged.

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IMMIGRATION

The Netherland Government regret that they cannot see their way to revoke the ordinance regulating the labour-permits for foreigners. This ordinance constitutes a necessary measure for the protection of labour in the Indies, particularly with regard to the more advanced Indonesians, the Europeans and the nonindigenous orientals born in the Indies. If this ordinance were revoked, the result would be an influx of all sorts of foreigners, and this would seriously affect the occupational possibilities of the aforementioned categories. It is evident that a partial revocation applying to a single country is out of question, since such a measure would be in contradiction with the traditional policy of the Netherland Government, which implies equal treatment of all nationalities. A measure of this kind would mean a violation of the desired status quo.

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BUSINESS CONCERNS AND CAPITAL INVESTMENT

The Netherland Government wish to draw attention to the fact that in the Netherlands Indies a liberal policy is followed in respect of the establishment of commercial enterprises and the investment of capital by foreigners.

This policy found expression in the Commercial Treaty concluded between the Netherlands and Japan in 1912. The Government have not imposed any conditions or restrictive measures, except where the interests of the population of the Netherlands Indies or the vital interests of the Kingdom demanded such action, which was then taken without in any way discriminating between countries. My Government consider this policy so equitable and well justified as to deserve to be maintained for the future. For previously stated reasons it is not possible to make an exception for a separate

country. With regard to isolated cases the Royal Government have to draw the Imperial Government's attention to the fact that the initiative is left to the individual merchant, equally so where mixed Netherlands-Japanese undertakings are concerned. For reasons of public safety the Government reserve their right to exploit certain enterprises themselves.

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The Royal Government flatter themselves with the belief that the preceding supplies a satisfactory explanation on those points, concerning which the Japanese Government might entertain some doubts. It is possible, however, that specific questions may occasionally arise concerning definite subjects, which have a bearing on the economic relations between the Netherlands Indies and Japan. In such case the point at issue could be discussed and arranged between the Japanese Consul General in Batavia and the authorities designated by the Government of the Netherlands Indies. The Netherlands Government believe that in most cases these questions can be solved in this manner.

APPENDIX

Some observations on the 13 export products, mentioned in the note from the Japanese Consul General in Batavia to the Governor General of the Netherlands Indies, dated May 18th, 1940, and in the note of His Excellency Mr. Hachiro Arita which was handed to the Netherlands Minister at Tokyo on May 20th, 1940.

The figures referring to
bauxite (200,000 tons)
chrome-iron ore (5,000 tons)
nickel ore (150,000 tons)
tin and tin-ore (3,000 tons)
rubber (20,000 tons)
cinchona bark (600 tons)
ricinus seeds (4,000 tons)

do not give rise to any observations.

The figure for petroleum-products (1,000,000 tons) is considerably higher than the average export from the Netherlands Indies to Japan during the last three years. The export was in

1937	869,000 tons
1938	668,000 tons
1939	573,000 tons

The oil companies in the Netherlands Indies may be able to supply the required quantities, provided the Japanese on their part, conclude the contracts in time.

It is possible to produce a quantity of 100,000 tons of salt, provided a contract is concluded for several years, since it will be necessary to put new salt-works into operation. The salt production in the Netherlands Indies is intended exclusively for the home market, whilst the reserves are almost exhausted owing to unfavourable atmospheric conditions. Normally it will not be possible to start deliveries before November 1940. It might be possible to advance this date if a contract can be concluded for several years. This would ensure the supply of the necessary reserves.

The figure for scrap-iron (100,000 tons) is in excess of the quantity annually available for export. In 1937 the export amounted to 103,700 tons, in 1938 to 60,600 tons and in 1939 to 47,200 tons, which quantities were exported almost exclusively to Japan. We are willing to guarantee that the export to Japan of the quantities of scrap-iron available for export will not be subject to any restrictions.

It is apparent that the figure for manganese ore (50,000 tons) cannot be correct. The total exports, which represented almost the entire output, amounted in 1937 to 15,700 tons, in 1938 to 11,200 tons and in 1939 to 7,300 tons. Of these quantities almost nothing was bought by Japan. Apart from the mines at present under exploitation, we do not know of the existence of any other important strata. In so far as the contracts under execution permit, Japan can freely buy this product.

The figures for wolfram and for molybdenum (1,000 tons) are not in accordance with production figures. Wolfram is obtained only in very small quantities through the exploitation of tin. These quantities, amounting to at most a few tons a year, were always exported to Japan. There never has been any export of molybdenum. It is but rarely found in the Netherlands Indies.

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* * * On the other hand, the first measures to control and to limit United States exports of mineral oil and oil products (particularly of aviation spirit) to Japan were taken during the last days of July. The Japanese promptly raised the figure of their annual oil requirements from the Netherlands Indies to two million tons.

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The exchange of notes here related had hardly reached its conclusion when the Japanese government repeated their proposals for negotiation on a more comprehensive scale. On the sixteenth of July they informed the Netherlands minister in Tokyo of their intention to send a delegation to Batavia for economic negotiations, under the chairmanship of Mr. Sako, former ambassador to Poland, and comprising a number of assistants, military experts on war materials, oil experts, etc. The consul general in Batavia, Mr. O. Saito, a very aggressive and expansionist character, was to be included in the delegation.

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If the subject matter of the proposed negotiations remained rather hazy, the question of personnel was very much in the foreground. A change of cabinet had led to the elimination of Mr. Sako. In his place Mr. Sawada, former ambassador to Brazil, was named as chief delegate, to be dropped again presently for General Koiso. General Koiso, however, had given an interview to the press on the third of August, in which he had stated in rather violent terms that the Netherlands regime had always been most oppressive towards the indigenous population of the Indies; he could not, in the view of the Netherlands government, be acceptable as a delegate without at least a public retraction or denial of that statement.

While this question was still hanging fire, the Japanese government suddenly, on the twenty-seventh of August, handed a memorandum to the Netherlands minister at Tokyo, begging to inform the Netherlands government that a special envoy to the Netherlands Indies had been appointed in the person of Mr. I. Kobayashi, minister of commerce and industry in the Kono cabinet. He would be seconded in his mission, to establish closer economic relations between the two countries, by Mr. T. Ota, chief of section in the Gaimusho, and by Mr. O. Saito, Japanese consul general in Batavia. They were to be accompanied by a staff of twenty-four assistants, including one army, one air, and two naval officers. This impressive company was to sail from Kobe on August 31.

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Joint statement of the two delegations, dated October 16, 1940.

The Japanese and Netherland delegations came together at Selabintanah near Soekaboemi from 14th till 16th October 1940 under the chairmanship of their Excellencies Ministers Kobayashi and Van Mook.

During several meetings and personal talks the general relations between Japan and the Netherlands Indies were discussed. In these discussions due attention was given to the effect of the recent pact between Japan, Germany and Italy on the relations with the Netherlands Indies. The Japanese delegation in this respect officially expressed their opinion as follows:

"In spite of the tripartite treaty recently concluded among Japan, Germany and Italy, the strong desire of Japan for the maintenance and promotion of the friendly relations between Japan and the Netherlands Indies is not affected in the least. All that is wished for by Japan is co-existence and co-prosperity with neighbouring countries." The Netherland delegation could appreciate this point of view.

Amongst the other points which came into discussion the most prominent item was the oil problem. Elaborate explanations of the oil situation in the Netherlands Indies were given by the Netherland delegation and the chief of the Netherlands Indies Mining Bureau who was also present.

The delegations are to continue the negotiations in Batavia on the understanding that the complete scope of subjects will come into discussion in the near future.

The delegations were pleased that the negotiations were conducted in the most friendly atmosphere.

The Netherland delegation took the position that, although Japan's accession to the Tripartite Pact could not but raise serious misgivings in a country at war with Germany it was prepared to continue negotiations on the understanding that Japan had no hostile intentions towards and did not claim leadership over the Netherlands Indies. It kept urging the submission by the Japanese of a full statement of the points to be discussed, but saw no objection to treating the matter of oil purchases separately. These purchases were mainly a

matter of agreement between the Japanese buyers and the oil-producing companies, and as both parties were represented in Batavia, the contact--for which the Netherland delegation would be pleased to lend its good offices--would be easy.

In the meantime the Japanese demands with regard to the purchase of mineral oil and oil products had gradually become more defined. About a week after the opening conference, the following specification was produced, enumerating Japan's annual minimum requirements--over and above the regular sales made by the companies and allowed by the Japanese government--of Netherlands Indies oil in tons of 2,240 pounds.

1. Crude oil	
(a) Aviation crude	1,100,000 tons
(b) Crude oil for lubricants	100,000 tons
(c) Other	1,050,000 tons
2. Aviation spirit (over 87 octane)	400,000 tons
3. Diesel oil	500,000 tons
Total	<u>3,150,000 tons</u>

It was, in part erroneously, contended that contracts had already been agreed upon for the delivery of 120,000 tons of aviation crude, 792,000 tons of other crudes, and 100,000 tons of aviation spirit to be delivered per annum. A five-year guarantee of the Netherlands Indies government was demanded that these minimum requirements should be regularly fulfilled.

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After a few more difficulties and hesitations, direct contact was established between Mr. Mukai, who had been put in charge of the oil business by the Japanese, and the companies. There were many rumours, at the time, about this matter; the clearest statement of facts is contained in the proposals as formulated by the companies and transmitted to Mr. Mukai on October 8. There was no change in the figures afterwards; the proposals were accepted on the eighteenth of October and the contracts were eventually drawn up on this basis. Compared with the original demands the net results for Japan were the acquisition of:

1. 120,000 tons of aviation crude instead of 1,100,000 tons;
2. 100,000 tons of crude for lubricants of an extremely doubtful quality, but eventually to be used as Diesel oil;
3. 540,000 tons of other crudes instead of 1,050,000 tons;
4. a single spot sale of 33,000 tons of aviation spirit instead of 400,000 tons annually;
5. 116,500 tons of Diesel oil instead of 500,000 tons

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Suddenly, two days after the acceptance of these proposals, Mr. Kobayashi announced his recall on the twentieth of October, and left on the twenty-second. The reason given was alternately that he could no longer be spared in his department, and that he had to be home for the 2,600th anniversary of the creation of the Japanese Empire by the Sun-Goddess. * * * * *

Note handed to the Netherland delegation
by the Japanese delegation on October 21,
1940.

The Japanese delegation has the honour to express its great appreciation for an elaborate explanation of petroleum situation contained in the Note of October 7th of the Netherland delegation.

The Japanese delegation wishes to call the attention of the Netherland delegation to the fact that after negotiations between Mr. Mukai and two petroleum companies, the proposals of these companies concerning oil supply to Japan have shown a very wide difference in quantity as well as in quality from those of Mr. Mukai and it is to be emphasized that the proposed quantity of supply of aviation gasoline and aviation crude to Japan, to which Japan attaches a great importance, is as good as nil.

The Netherland delegation, however, is well aware of the Japanese interest in petroleum problems and the Japanese delegation would be much obliged, if the Netherland delegations are good enough to do their utmost, in the spirit of mutual welfare, to comply with the Japanese proposals by any means like shifting of trade route, etc.

The Japanese delegation has the pleasure to add that Japan has also a very big interest in exploitation of oil wells and that the Netherlands policies on allocating spheres of interests for existing companies are hardly satisfactory for Japan.

The Japanese delegation is very much desirous to acquire rights of access to the territories now in exploration or exploitation as well as to the Government reserves.

Mr. Mukai, however, is ready to enter at once into negotiations with authorities concerned about the Government reserve areas in the above-mentioned Note of the Netherland delegation.

Letters addressed to the chairman of the
Netherland delegation by Mr. T. Mukai on
October 29, 1940.

1. Re OIL TERRITORIES

With reference to your memorandum dated the
7th inst. (item No. 5), and the subsequent
conversation exchanged during the interview
between delegates of the Netherland Indies and
Japan, I am given to understand that the under-
mentioned districts and areas, which you have
not yet committed to any other party or parties,
will be considered as an interest for Japan:

Borneo--The districts of Kalio- rang and Koetai	about 1,300,000 ha
Celebes--the district opposite to the Pelang Island	about 163,000 ha
Dutch New Guinea:	
Northeastern shoreland	about 1,200,000 ha
Middle-eastern interior	about 3,500,000 ha
Southeastern shoreland	about 9,000,000 ha
Aroe Archipelago, southeast to Dutch New Guinea	about 850,000 ha
Schouten Archipelago, north- east to Dutch New Guinea	about 350,000 ha
Total	about 16,363,000 ha

As Japan is desirous to carry on explorations and
exploitations in future in the entire dimensions of
the above districts upon completion of the general
geological examinations, I shall be obliged by your
acknowledgment of the whole of these districts as
Japan's sphere of interest, and the necessary steps
according to your Mining law will be taken in due
course in accordance with your suggestions.

Furthermore, in view of the rapid increase in the
demand of petroleum in Japan, I would like to
express the strong desire of Japan that the following
areas will be assigned to the Japanese interests in
addition to the above-mentioned areas:

1. Borneo:
An area, opposite to the Taran Island, northward from the Bengara River to the boundaries of British North Borneo about 400,000 ha
 2. Sumatra:
An area extending southeastwards from Medan and along the River Asahan about 700,000 ha
- Total about 1,100,000 ha

Your kind considerations to this matter will be much appreciated and I am quite certain that your acceptance will serve greatly in promoting the closer relationship between Netherlands Indies and Japan.

I also beg to mention that Japan may consider the capital participation of Netherlands Indies in these enterprises.

II. Re PARTICIPATION OF JAPANESE CAPITAL

While the transaction on petroleum between Netherlands Indies and Japan are in a trend of a steady increase in the future, it is needless to say that Japanese oil circles are focussing their interests on the petroleum of the Netherlands Indies, and consequently they are having an earnest desire to directly exploit the petroleum resources.

You have full appreciated these circumstances and directing us to achieve Japan's aim with your special attention, for which I express herein my thanks.

However, with an eye to the furtherance of the prosperity and friendship of both countries, I beg to mention that it is strongly desired on the side of Japan to participate in the capital of the N. V. Nederlandsche Indische Aardolie Maatschappij.

As I understand that your government hold a considerable amount of shares in the aforesaid undertakings, I hope that your excellency would consider the allotment of part of these shares to Japan.

In case this proposal of ours be favoured with your approval, I would greatly appreciate your informing me of your terms and conditions.

* * * * *

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An area, opposite to the Taran Island, northward from the Bengara River to the boundaries of British North Borneo about 400,000 ha
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* * * * *

In the meantime the Netherland minister had handed an aide memoire, on the fifteenth of November, to Mr. Ohashi, vice-minister of foreign affairs in Tokyo, to draw the attention of the Japanese government to the fact that the negotiations were at a standstill for lack of subject matter, and to recommend their discontinuation. This was answered by a note verbale of November 20, announcing the imminent appointment of a new special envoy who was to instil renewed activity into the proceedings. On November 28 this successor turned out to be Mr. K. Yoshizawa, member of the House of Peers and former minister of foreign affairs. He was due to arrive in Batavia on the twenty-third of December and would carry on with the aid of Mr. Ishizawa, the new consul general. * * *

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Memorandum presented by the Japanese delegation on January 16, 1941.

Most of the vast territories of the Netherlands Indies, abundant in natural resources, are very thinly populated and still remain undeveloped, waiting for exploitation and development in wide fields. It is beyond question that the exploitation and the development of these areas would bring benefit not only to the Netherlands Indies but also to Japan and, at the same time, would contribute to the welfare of the world.

As a matter of fact, Japan and the Netherlands Indies stand in the relation of economic interdependence, the former being geographically situated much nearer to the latter than any other European or American powers. Accordingly, a great importance should be stressed upon the necessity of strengthening the economic relations between the two countries. Japan is earnestly desirous of participating in the exploitation of the natural resources in the Netherlands Indies, and of promoting the trade and other economic relations with her. It is Japan's firm conviction that a great contribution would also be made towards the prosperity of the Netherlands Indies herself, if the Netherlands Indies Government would see their way to meet Japan's desires and facilitate the economic activities in the Netherlands Indies of Japanese nationals.

In the view above-mentioned, the Japanese Government wish to present the following proposals to the Netherlands Indies Government:

I. THE ENTRY OF JAPANESE NATIONALS AND OTHER AFFAIRS

- (1) Modification of the restriction on entry.
 - (a) Procedure laid down in the Foreign Labour Ordinance (Ordonnantie Vreerdelingenarbeid) be simplified in order to permit entry of the Japanese nationals, possessing passports issued by the Japanese Government, up to the maximum number as stipulated in the Netherlands Indies Entry Ordinance (Toelatingsbesluit)--for example, 1,633 persons in the year of 1940, with the exception of the following cases mentioned in (b) and (c).
 - (b) Permission of entry be granted to Japanese nationals who are required for carrying on exploitation and development enterprises in Buiten Gewesten--especially Sumatra, Borneo and Great East, where speedy development can hardly be expected without the entry of substantial number of Japanese nationals.
 - (c) Japanese nationals who are permitted to enter for temporary stay, be not included in the number, mentioned in (a) above cited.
 - (d) The entry tax be abolished.
- (2) Elimination of difficulties concerning explorations.

Any difficulties whatever concerning explorations, necessary for carrying on enterprises and for other economic activities, be eliminated.
- (3) Freedom of medical practice by Japanese doctors.

Restrictions imposed upon medical practice be modified in order that Japanese nationals, who are qualified in Japan as doctors (including dentists), may be granted permission for their medical practice in the Netherlands Indies.

- (4) Promotion of rationalization of the management of Japanese enterprises.

Where Japan and the Netherlands Indies joint enterprises are desired as a form of management of enterprises, necessary assistance be given for the realization of such, and favourable treatment be accorded to all Japanese enterprisers in connection with their making necessary arrangements such as employment of intellectual as well as manual labourers, equipments for transportation (railway, harbours, ships, etc.) and other needed establishments.

- (5) All applications or requests from Japanese nationals be treated in friendly spirit.

II. VARIOUS ENTERPRISES

- (1) Mining.

Permission for the exploration and/or exploitation of various minerals in the regions (including the areas reserved for the Government), which are desired by Japanese nationals for such purpose, be given as promptly and extensively as possible.

- (2) Fishery.

It is requested that the fishing by Japanese nationals in the territorial waters be permitted, so far as it does not cause competition with the native fishery, and that an increase in number of fishing boats, fishermen and employees, necessary for the operation of the territorial-water-fishery mentioned above, as well as for that of deep-sea fishery by Japanese nationals, be allowed, and that various fisheries at or near the fishery bases and such establishments as necessary for the operation and the management of fisheries (fish markets, ice-manufacturing factories, cold-storage houses, oil tanks, factories for manufactured goods of fish, repair shops for fishing boats, etc.) be permitted, and that the restriction on import harbours for fish be abolished, and that the fish caught by the Japanese fishermen in the Netherlands Indies be exempted from the import duties.

III. TRAFFIC AND COMMUNICATION

- (1) Opening of air service between Japan and the Netherlands Indies.
The establishment of a direct air service between Japan and the Netherlands Indies by Japanese planes be permitted and, in connection therewith, facilities necessary for wireless communication and meteorological information by wireless be rendered to Japanese aviators.
- (2) Abolition of various restrictions on Japanese ships.
 - (a) With regard to the coastal navigation already granted to the Japanese nationals by the Netherlands Indies Government, an increase in number of Japanese ships be permitted, and the restrictions on the tonnage and navigable areas for the Japanese ships be abolished.
 - (b) Permission for the coastal navigation be given to Japanese ships when necessary for the operation of Japanese enterprises.
 - (c) Harbours, of which direct connections with Japan is desirable, for the promotion of the traffic and trade between Japan and the Netherlands Indies, be designated as open ports.
 - (d) Formalities concerning the visit of Japanese ships to nonopen ports, which is necessary for the shipment of products destined for Japan, be simplified and dealt with as promptly as possible, and restrictions on the tonnage of the ships calling at non-open ports be abolished.
- (3) Improvement of the means of communication between Japan and the Netherlands Indies.
 - (a) In order to establish a stable and highly efficient means of communication between Japan and the Netherlands Indies, consent be given to the laying of submarine cables between the two countries under the Japanese management, which are technically most up-to-date.
 - (b) The prohibition of the use of Japanese language in the telegraphic communication between Japan and the Netherlands Indies be removed.

IV. BUSINESS REGULATION

Applications by Japanese nationals regarding the business of warehousing, printing, weaving, ice manufacture, rubber smoking, etc., such as subjected to the Business Regulation Ordinance (Bedrijfs-reglementeeringsoordonnantie), be complied with as far as possible.

V. COMMERCE AND TRADE

- (1) Import quotas for Japanese goods be arranged as mentioned in the list which will be annexed hereto.
- (2) Japan is prepared to purchase the Netherlands Indies products as mentioned in the list which will be annexed hereto.
- (3) Increased percentage of import quotas be allotted to the Japanese importers in the Netherlands Indies.
- (4) The Japanese importers in the Netherlands Indies be exempted from the obligation to import the goods of third countries.
- (5) With regard to the Japanese goods to be imported into the Netherlands Indies, friendly measures be taken regarding the customs tariff and customs formalities.

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Memorandum presented by the Netherland delegation on February 3, 1941.

In order to clarify the position of the Netherlands Indies with regard to the present economic negotiations and to avoid any possible misunderstandings the Netherland delegation would like to restate briefly the considerations determining the economic policy of the Netherlands Indies.

Whereas the improvement and adjustment of economic relations and the increase of mutual trade with neutral or nonbelligerent countries is the object of a constant care, exercised in the spirit of goodwill, the measures taken in this respect must comply with the following principles.

In the first place it must be taken into consideration that the welfare, the progress and the emancipation of the population of the Netherlands Indies are the prime objects of the policy of the Netherlands government. Measures which would tend to run counter to the interests of the inhabitants, or which would unduly narrow the scope of their future development, should therefore be obviated.

In the second place the interests of the Netherlands Indies demand that the economic relations with foreign countries shall be maintained on a basis of strict nondiscrimination; that the participation of such countries in the economic growth shall not disturb the gradual formation of the Netherlands Indies as a self-sustaining economic unit within the larger limits of the Kingdom; and that no preponderance shall be created of foreign interests in any field of economic activity.

In the third place it must be observed that, for the duration of the war in which the Kingdom of the Netherlands is involved, it is unavoidable that trade and other economic activities will be subject to restrictions preventing direct or indirect advantage to the enemy or safeguarding the defence of the Netherlands Indies.

Furthermore, in so far as the two opening paragraphs of the Japanese delegation seem to imply, firstly, that the natural resources of the Netherlands Indies have been inadequately developed and, secondly, that the economic relations between Japan and the Netherlands Indies are of such an important and vital nature as to warrant the use of the term "interdependence," the Netherlands delegation begs to point out that such contentions would not seem to be substantiated by the facts.

The fact that a considerable part of the so-called Buitengewesten is sparsely populated is primarily accountable, not to any lack of funds, labour or enterprising spirit, but to the relative scantiness and the scattered character of their natural resources. The poor results of several agricultural, forestry and mining enterprises, both domestic and foreign, in this part of the Netherlands Indies confirm this view, as is the case with the data, supplied by numerous scientific explorations.

As a whole, the Netherlands Indies not only provide practically all their own food, but in almost every field of agricultural activity, suited for the tropics, production has been developed to such an extent that restrictions had to be imposed to prevent a permanent glut in the markets of the world. Mineral production is relatively high, compared with mineral reserves, and in cases where the minerals found are of poor quality--as is the case with iron ore--exploitation was nevertheless undertaken as soon as a demand for these minerals could be expected to arise.

This does not mean that there is no room for further development. However, although the co-operation of bona fide private foreign capital and knowledge is welcomed within the limits delineated above, this development should proceed along lines of rational economy and should be realized mainly with the aid and to the benefit of the abundant population in other parts of the Netherlands Indies and of the fast increasing number of well-schooled and well-trained people among them. The fact that the number of government-organized agricultural emigrants from Java has reached the level of 50,000 persons a year and is rapidly increasing should by itself carry the conviction that the Netherlands Indies do not stand in need of immigration from foreign countries and that all parts of the Buitengewesten, where cultivation of the soil offers some economic prospect, are necessary for the alleviation of the pressure of the population in Java and elsewhere.

As regards the importance of trade relations between the Netherlands Indies and the Japanese Empire, it should be borne in mind that the share of the Japanese Empire in the total export value of the Netherlands Indies decreased from an average of 4.21% in 1930-32 to an average of 3.74% in 1937-39. It is true that the share of Japan in the imports of the Netherlands Indies was larger, but it should not be overlooked that these imports were to a great extent made possible through the creation of buying power by exports from the Netherlands Indies to third countries.

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Already in the first stage of the conversations ensuing from the related exchange of memoranda, the Netherland delegation had to caution its Japanese opponents that a Japanese occupation of southern Indo-China would constitute a military menace towards the Netherlands Indies of such a seriousness that it would cancel any agreement reached in the economic sphere. Between March and May, 1941, Mr. Matsuoka made his European tour and returned full of admiration for the Axis and with a Russo-Japanese Neutrality Pact in his pocket.

As Japan installed herself ever more firmly in Indo-China and Thailand the potential leak in the blockade of Germany widened. The two countries together produced 130,000 tons of rubber annually as against a Japanese consumption in past years of 50,000 tons; her need for 10,000 tons of tin per annum was exceeded by at least 50 per cent in the production of her new sphere of influence. * * *

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Memorandum presented by the Japanese delegation on May 14/22, 1941.

In reconsideration of the memorandum, which the Japanese delegation presented to the Netherland delegation on the 16th. Jan. 1941, they herein present to the Netherland delegation the following new proposal. They wish to make it clear, however, that the Japanese viewpoint expressed in the preamble of the above-mentioned memorandum is firmly held by the Japanese Government.

I. THE ENTRY OF JAPANESE NATIONALS

(a) With regard to the entry of Japanese employees, when employers concerned apply for labour permits for their employees, the Government of the Netherlands Indies will give favourable consideration for speedy granting of as many permits as possible, as far as circumstances allow, within the limits of existing regulations, and the permits to be granted will be at least 1,600 per annum.

(b) Employees, for whom their employers apply for labour permits in order to replace existing employees, and employees for whom their employers apply for the extension of labour permits, and those whose purpose of entry is of temporary nature, are not included in the number, cited above in the paragraph (a).

(c) In consideration of the necessity in various districts, the Government of the Netherlands Indies will permit, as a whole, a certain number of Japanese doctors (including dentists) to enter the Netherlands Indies, if their object is to practise medical treatment solely to Japanese residents.

It is also understood that Japanese doctors (including dentists) who are permitted to practise medical treatment to Japanese employees working for Japanese enterprises in outer regions, can extend their medical treatment, when necessary, to employees or servants of other nationalities working in the same enterprises.

II. ENTERPRISE AND BUSINESS

Whenever Japanese nationals concerned submit concrete applications for consent or permission for establishment or extension etc. of various enterprises and businesses, either in own account or in joint account with Netherlands enterprisers, the Government of the Netherlands Indies will give favourable consideration to the said applications and, as far as there are no special obstacles owing to the reasons of national defence or to the necessity of reservation for the subjects of the Netherlands Indies, they will allow previous investigations, which are deemed necessary for the execution of their plans, and will give consent or permission for the said establishment or extension etc.

When the said consent or permission has once been given, the Government of the Netherlands Indies will give favourable treatment and necessary facilities as much as possible for the engagement of employees, the building up of transportation equipments and other needed establishments etc.

* * * * *

IV. TRADE AND COMMERCE

The Government of the Netherlands Indies state that, in view of the circumstances that the demand of Japanese industries on the products of the Netherlands Indies is rapidly increasing and the increasing import of Japanese articles

will contribute towards the promotion of the welfare of the people of the Netherlands Indies, they recognize the importance of the position Japan is now occupying and will occupy in the future in the foreign trade of the Netherlands Indies, and will take the following measures to be effected for one year ending . . . 1942.

1. (a) The quotas and or the percentages as shown in the attached tables I and II shall be allotted to articles to be imported from Japan into the Netherlands Indies.

(b) Japanese importers in the Netherlands Indies shall be given import percentages ranging from 10 to 30% according to the kinds of articles.

2. Unconditional and prompt permission shall be given for the exportation to Japan of the products of the Netherlands Indies mentioned in the attached list.

3. With regard to the import duties, export taxes, surtaxes and official prices (including the prices in the Price List), not only no discriminatory treatment shall be given to the articles imported from and or exported to Japan, but also favourable treatment shall be accorded to them.

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Memorandum presented by the Netherland delegation on June 6, 1941.

Preamble

From the memoranda, presented by the Japanese economic delegation on May 14th and 22nd 1941, the Netherland delegation have noticed with satisfaction that the Japanese proposals have been modified in several instances after the thorough discussion of the various points at issue in the course of the negotiations. They value these modifications as a result of the endeavours of the Japanese delegation to adapt the Japanese proposals, as originally formulated, to the exigencies of the present abnormal circumstances, and to meet to a certain extent the objections raised by the Netherland delegation on account of the incompatibility of a number of those proposals with the principles of economic policy in the Netherlands Indies.

Nevertheless the Netherland delegation cannot but express their regret that the views of the Japanese Government are still materially at variance with these principles.

In fact the Japanese memorandum of the 14th of May 1941 states that the Japanese Government still firmly hold the views expressed in the preamble of the memorandum of the 16th of January 1941. As these views were based on a supposed inadequacy in the development of the natural resources of the Netherlands Indies and an assumed interdependence between this country and the Japanese Empire, it is clear that their practical application would tend to create a special position for the Japanese interests in the Netherlands Indies.

It seems therefore appropriate to point once more to the fundamental economic policy of the Netherland Government in regard to this archipelago, as set forth in the Netherland memorandum of February 3rd 1941; a policy which involves the furtherance of welfare, progress and emancipation of its population, nondiscrimination towards friendly foreign powers and the avoidance of the creation of preponderance of foreign interests in any particular field of activity.

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Apart from these considerations of general economic policy, the relations between the Netherlands Indies and other countries must, for the duration of the war, be affected by the subjection of trade and other economic activities to certain unavoidable restrictions, in order to prevent direct or indirect advantage to the enemy, to safeguard the defence of the Netherlands Indies, and to promote the war effort of the Kingdom and its allies. These restrictions are, by their nature, of a temporary character.

Notwithstanding the difference in general conception, which appears to separate the two governments, the Netherland delegation remain desirous to make another effort to convince the Japanese delegation not only of the reasonableness of the position taken by the Netherland Government in regard to the specific questions raised in the recent Japanese memoranda, but also of the practical possibilities open to the Japanese interests on various points.

To this end the views of the Netherland Government in respect to each of these questions are set forth herebelow.

1. The Entry of Japanese Nationals

(a) The purpose of the Foreign Labour Ordinance is to reserve employment in the Netherlands Indies as far as possible for the inhabitants of the country. Consequently labour permits can only be granted to foreigners if their labour is deemed necessary and no Netherland subjects are available for the specific position. Furthermore it is understood that the employer concerned shall, as far as possible, provide adequate practical training for Netherland subjects to fill future vacancies. The need of foreign employment is always estimated in a liberal way, a policy which will be continued. The Netherland Government aim at an expeditious handling of applications for labour permits as far as is feasible in connection with the necessity to obtain advice from the different authorities concerned and, in some cases, of local investigation.

Because of the vital interests involved the Netherland Government do not see their way to give an assurance that in a number of cases labour permits would be granted to foreigners without taking into account the basic principles of the ordinance. Therefore the unconditional guarantee of admission of Japanese nationals up to the full quota, as asked for in the Japanese memorandum, which moreover would constitute an inadmissible discrimination against other foreign countries, cannot be given.

(b) In this connection the question, as to whether the granting of certain labour permits should or should not be included in the aforementioned quota, does not seem to need further discussion.

(c) The Netherland Government are willing to give favourable consideration to a change in the existing regulations in order to permit a strictly limited number of Japanese doctors to enter the Netherlands Indies for medical practice, solely amongst Japanese residents, in those places where the number of Japanese residents would justify such a course. An extension of their medical practice to all employees or servants working for Japanese enterprises is not appropriate, as the majority of those employees and servants consists of people of non-Japanese origin.

II. Enterprise and Business

The establishment of enterprises of foreigners in their own account or in joint account with Netherland nationals is permitted, provided such enterprise, in the opinion of the authorities concerned, will constitute a fitting contribution to the economic development of the country within the scope of the general economic policy referred to in the preamble.

* * * * *

IV. Trade and Commerce

As the prosperity of the Netherlands Indies depends, to a large extent, on trade with many countries, it is of vital importance that the Netherland Government retain, as far as possible, their freedom of action with regard to the adjustment of imports to the exigencies of the export situation.

Besides it is necessary, for the duration of the war, to exercise a strict control on imports, in order to avoid waste of foreign currency, and on exports, in order to prevent that exports from the Netherlands Indies should contribute in any way to provide the enemy with materials of strategic value. The Japanese Government will undoubtedly understand that the present struggle for national existence admits of no other course

Apart from these considerations the quickly changing international situation renders it inadvisable to enter into formal and binding agreements concerning the importation or the exportation of definite quantities of commodities for any extended period of time. On the other hand it is in accordance with the trade policy of the Netherland Government to refrain from abrupt changes, as long as the circumstances and the vital interests of the country permit. The Japanese Government may rest assured that this policy will be adhered to in respect of the mutually important trade between the Netherlands Indies and Japan.

1. (a) With regard to the Japanese interests in the Netherlands Indies import trade an agreement was reached after the fullest consideration and embodied in the so-called Hart-Ishizawa and Van Mook-Kotani agreements. The Netherland Government see no necessity to modify these agreements, which are still in force.

Under the present unsettled circumstances it seems impossible to enter into any commitment concerning the quantities of certain commodities, which will be imported from any particular country, even during the next twelve months. The Netherland Government are, however, prepared--if such is wished for by the Japanese Government in the interest of the regulation of production in Japan--to state the quantities of goods for which during the next six months permits will be issued for importation from countries at choice, on which permits importation from Japan will be possible as long as prices and terms of delivery can meet competition from other countries. These quantities will have to be determined according to the actual needs of the Netherlands Indies.

(b) The Netherland Government remain of the opinion that the position of Japanese importers in the Netherlands Indies has been satisfactorily settled on the basis of the above-mentioned agreements, and that they could not, without causing undue harm to other interests concerned, enlarge this share.

2. The necessities of war render it impossible for the Netherland Government to enter into any obligation to grant permits unconditionally for the exportation of various commodities for as long a period as the next twelve months. Any statement of policy in this respect, even for a much shorter space of time, must be subjected to the proviso that it cannot be binding whenever, in the judgment of the Netherland Government, the full execution would be of direct or indirect advantage to the enemy or harmful to the interests of the Kingdom and its allies.

As, however, the Netherland Government appreciate the difficulty for the Japanese Government to adjust their internal economic policy on a basis of complete uncertainty with regard to imports from the Netherlands Indies, the Netherland Government have no objection to state--under the express proviso mentioned heretofore--their intentions with regard to restrictions of exports for the year 1941 as determined by their view on the present situation. Such a statement is drafted in the second annex of this memorandum. It need not be expressly mentioned in this connection that, although the Netherland Government must vindicate their right to be the sole judges of the exigencies of war with regard to exports, the ordinary channels of international intercourse remain open for the consideration of facts and complaints.

3. With regard to the import duties, export taxes, surtaxes and official prices the same treatment will be given to commodities imported from and exported to Japan, as to commodities imported from and exported to all other countries, in accordance with the principle of nondiscrimination.

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The delegations met once more, on the tenth of June, at the request of Mr. Yoshizawa. It became quite clear at this meeting that the Japanese wished to wind up their business. They asked only for a number of technical elucidations in order to complete the report to their government.

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The next morning, June 17, 1941, Mr. Yoshizawa asked for an audience of the governor general.

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After the usual compliments, Mr. Yoshizawa opened the discussion by pointing out that the Japanese government had drawn up their last proposals in an extremely conciliatory spirit, so much so that they would run great risk of general disapprobation if the document were to be published. Nevertheless, the answer of the Netherland delegation had been wholly unsatisfactory and therefore could not provide a sufficient basis for an agreement. He was instructed to ask the governor general to reconsider that answer. If that was impossible, his government had decided to discontinue the negotiations and to recall their delegation. The governor general replied that he appreciated the conciliatory attitude of the Japanese government, but that the Netherland government were candidly convinced that an agreement could not be reached on the terms proposed. In all sincerity he could not see his way to suggest any alterations in the standpoint of his government as formulated in the last Netherland memorandum. He added, however, that in his judgment the negotiations had not been altogether unproductive, although no agreement had emanated. The respective positions had been very searchingly and patiently analysed, and even if the parties could not agree, they had at least been able to come to a better understanding of each other.

Mr. Yoshizawa proceeded to state that although the negotiations had brought no agreement, the Japanese government wanted to see the general trade and economic relations maintained as hitherto. The governor general concurred. The failure to agree was to be expected, as the Netherlands Indies could not further extend their already very liberal policy, in the manner recommended

by the Japanese proposals, but this failure need leave no unfriendly sentiments. The Netherland government would be satisfied to continue mutual relations on the old footing.

Mr. Yoshizawa then produced the draft of a joint communique, which, with a few minor amendments, was agreed upon in the following text, to be published forthwith:

Joint Communique

Both the Netherland and the Japanese delegations greatly regret that the economic negotiation, which has been conducted between them, has unfortunately come to no satisfactory result. It is needless, however, to add that the discontinuation of the present negotiation will lead to no change in the normal relations between the Netherlands Indies and Japan.

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